

Message Text

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ACTION IO-14

INFO OCT-01 AGR-20 RSC-01 AID-20 EB-11 EUR-25 COME-00

ISO-00 AF-10 ARA-16 SPC-03 NSC-10 CIEP-02 TRSE-00

SS-15 STR-08 OMB-01 CEA-02 EA-11 GSA-02 INT-08 TAR-02

L-03 H-03 PA-03 PRS-01 USIA-15 DRC-01 /208 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 920

INFO AMEMBASSY BRASILIA

AMEMBASSY DAR ES SALAAM

AMEMBASSY MEXICOCITY

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FODAG

E.O. 11652: N/A

TAGS: ETRD, IT, FAO

SUBJECT: SIXTH SESSION ON HARD FIBERS - SISAL SHORTAGE

REFERENCE: STATE 184505 (NOTAL)

SUMMARY: FAO HARD FIBERS MEETING PROVIDED NO CLEAR CUT ANSWERS TO QUESTIONS POSED REFTEL. AS MANY EXPLANATIONS FOR HIGH PRICE OF SISAL AS SPEAKERS ON SUBJECT. NO CLEAR CONSENSUS ON FAIR PRICE. A ROUGH BALANCE ON SUPPLY AND DEMAND FORECAST FOR 1974 BUT DISAPPEARANCE OF SISAL STOCK-PILES MAJOR UNKNOWN FACTOR. END SUMMARY.

1. FAO SESSION EXPLORATION CURRENT SISAL SHORTAGE ADVANCED IN PUBLIC SESSION VARIOUS EXPLANATIONS FOR CURRENT HIGH PRICES WHICH INCLUDED: DROUGHT IN EAST AFRICA; FLOODS IN TANZANIA COUPLED WITH BREAKDOWNS IN ELECTRICITY SUPPLIES AND SHORTAGE OF LABOR (TANZ DELEGATE STATED GOVERNMENT LIMITED OFFICIAL USE

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CAN'T INDUCE YOUNG TO CUT SISAL AND WORK FORCE AGEING).

OTHER PUBLIC EXPLANATIONS SUGGESTED INFLATIONARY PRESSURES AND CURRENCY FLUCUATIONS RESULTED IN PRICES THAT APPEARED HIGHER THAN THEY ACTUALLY WERE COMPARED WITH PURCHASING POWER OF A TON OF SISAL IN 1973 VERSUS KOREAN BOOM.

2. PRIVATE DISCUSSIONS WITH MEXICO, DUTCH, UK, AND FAO SECRETARIAT INDICATED BELIEF PORTUGESE TRADING INTERESTS HAD BEEN ACTIVE IN SPECULATION. MEXICAN SOURCE OPINED DISAPPEARANCE OF STOCKPILES AIDING INCREASED SPECULATION AND NOTED THAT MEXICO HAD IN PAST SUBSIDIZED PRODUCTION COSTS TO DEFLATE PRICES AND KEEP MARKETS. SINCE MEXICO NOW EXPORTING NEW HENNEQUIN WITH DISAPPEARANCE MEXICAN SUPPLIES, NO FURTHER SUBSIDIZATION UNDERWAY AND MARKET IS REFLECTING THIS SITUATION. MEXICO INDICATED PRIVATELY THAT IT WOULD HONOR ALL US CONTRACTS BUT WOULD LIKELY DEFAULT ON SOME EUROPEAN ONES.

3. KENYA NOTED IMPORT/EXPORT FIGURES AND REPEATEDLY ASKED IF THERE WAS SHORTAGE INQUIRING, "WHERE HAS ALL THE SISAL GONE?"

4. 1974 FORECASTS, BARING UNFORESEEN DEVELOPMENTS, PROJECTED EXPORTS WOULD BE IN ROUGH BALANCE WITH PROJECTED DEMAND. PRIVATELY DELS FELT CURRENT TIGHT SITUATION COULDN'T CONTINUE FOR LONG AND DANGER WAS THAT INCREASED PRODUCTION GENERATED BY HIGH PRICES WOULD ENDANGER MARKET STABILITY. KENYA PLEADED FOR EXPANSION OF CURRENT INFORMAL GLOBAL QUOTA OF 630,000 TONS BY MODEST AMOUNT TO PREVENT OVER REACTION BY PRODUCERS BUT LONG STANDING INABILITY OF TANZANIA AND BRAZIL TO AGREE ON HOW INCREASE SHOULD BE DIVIDED PREVENTED ANY AGREEMENT.

5. GROUP AGREED TO RATIFY OLD QUOTAS AND LOOK AT QUESTION AGAIN IN MAY (INFORMAL AGREEMENT, IN FACT, NON OPERATIVE).

6. WITH FRAGMENTARY INFORMATION PROVIDED BY DELS AND HIGH DEGREE OF BAZAAR BUSINESS MENTALITY EXHIBITED, DURING MEETING DIFFICULT MAKE ANY RECOMMENDATIONS ON IMPACT US BALER TWINE MARKET. SUFFICE IT TO SAY, PRODUCERS SEEM CONVINCED AMOUNT OF INVESTMENT REQUIRED FOR SYNTHETICS PREVENT SERIOUS INROADS. MEXICANS SUSPECT RUN DOWN US LIMITED OFFICIAL USE

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SISAL STOCKPLIE WILL BE ADDED FACTOR IN FUTURE DEMAND SO THAT NO MATTER WHAT HAPPENS IN SYNTHETICS, IN MEDIUM TERM DEMAND WILL EXCEED SUPPLY. VOLPE

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